State Employee Benefits Advisory Council Meeting
March 18, 2010
Statewide Benefits Office
Dover, Delaware

The State Employee Benefits Advisory Council met on March 18, 2010 in the Statewide Benefits Office, 500 W. Loockerman St., Suite 320, Dover, Delaware. The following Council members and guests were present:

Thomas Chapman, SEBAC Chair, DSEA, Seaford S.D.
Patricia Griffin, SEBAC, Court Admin.
Marsha Carson, SEBAC, DOS
Brenda Lakeman, OMB, SW Benefits, Director
Ann Skeans, OMB, SW Benefits
Mary Thuresson, OMB, SW Benefits
Michael Hatcher, AFSCME
Angela Alexander, AFSCME
Steve Smith, DSEA, Retired
Judy Anderson, DSEA
Dave Leiter, State Employee, DHSS

Mr. Chapman called the meeting to order at 3:15 p.m. and introductions followed.

1. Approval of Minutes

Mr. Chapman requested a motion to approve the March 3, 2010 SEBAC minutes. Ms. Carson made the motion and Ms. Griffin seconded the motion. Upon unanimous voice vote the minutes were approved.

2. Update of SEBC Activities – Brenda Lakeman (handout)

The only action item at the last SEBC meeting was the Minnesota Life renewal which did pass with no increase in rates for two years and the ported coverage staying the same at fifty percent upon termination or retirement.

The Health Fund Financials, Fund and Equity Report for February will be presented tomorrow. The balance has changed from negative$3 million (M) as of January to negative $800,000. It was explained that the Fund and Equity Report is similar to accounts receivable/ accounts payable or a checkbook ledger. It also shows obligations to be paid for FY10.

A handout (recap from last month's SEBC) was given showing the FY11 Shortfall. A detailed explanation was given. The rates had been set hoping they would equal expenditures. Expenses trended higher than projected for FY10. The FY11 projections are also higher. Discussion with questions and answers followed. The SEBC discussion on March 19th will show what it would look like to decrease the employees plan by about 6.5 percent in terms of copay changes, coinsurance and deductibles. The amount they are short, $37.5M and the $17M, if the fund absorbs those, will be where they will start next year, or negative $54.5M out of the gate. The Committee will look at this for next year, if you increased employee contributions but kept the ratio of employer/employee contributions the same. They will be shown all the different possibilities. One other possibility is to get more money from the Joint Finance Committee as it was announced the DEFAC numbers have increased meaning revenue's going up. We would not know that by March 31 because that will happen in May or June. More discussion with questions and answers followed. It was clarified what the reserve, surplus and set aside monies are. There is no further surplus monies to be pulled from. It was asked what if estimates are off for next year, what happens. Someone would have to go to the Joint Finance or Budget Office and ask where they can get money to pay for it. There will probably not be a vote tomorrow at SEBC even though they had anticipated one. Instead, there will probably be on-going discussion. The vote on how to handle the projected shortfall will be March 29th.

It was asked what happens with rates. Ms. Lakeman stated that right now employees would probably not get any increase at all for FY11. Next year starts off $17M in the hole. For FY12 it needs to be decided how it will be paid. Hopefully there will be at least one year of Medicare Part D money for FY12 or $8.5M. A minimum of ten percent or other changes would need to happen. It was asked if the SEBC could ask for employees to pay more this coming year instead of having a larger increase two years down the road. It was stated this could be done, even though the Governor said that employees would not be harmed as the Committee makes the decision. Mr. Leiter noted the employees already took a hit this year. Somehow it needs to not fall on the employees. How rates and the state's share work was clarified, and how the money in the Budget for health care is allocated and spent.

Mr. Leiter asked about programs that had been talked about to bring down costs and save money. Ms. Lakeman updated them on the Health Management Request for Proposal stating there are two finalists coming in Monday for interviews. They anticipate bringing a recommendation to the SEBC the end of March for one of those companies. They would start July 1 with Wellness and Disease Management initiatives. Over FY11 these could help to control costs and keep the trend down so the 8 percent would not become 10 percent. Guarantees will be in place with the company that if they do not meet the guaranteed return on investment, they will have to return fees. It's a win, win situation. Public attendees asked if Delaware employees would be doing the training or contractors and if it would be for employees and retirees. Ms. Lakeman stated there will be a lot of on-line seminars and training. It will be a combination of some state and some will be train-the-trainer. Agencies that have training units will be trained to do these programs.

Mr. Smith referred to the fact that people were sicker this year and costs rose. Schools almost closed this year due to flu. That shouldn't happen next year. Ms. Lakeman said costs going up was attributed to people having more and longer in-hospital stays for conditions such as coronary artery disease and congestive heart failure and having multiple emergency room visits that are justified. We hope this new program will help people manage their chronic conditions better. They will work with the doctors and patients. Our population is getting older, people are working longer and even when they stop working they become our retirees who we continue to cover with health insurance. The landscape of the population is not going to change. Mr. Leiter said lower paid employees already at poverty level will leave state service if benefits are cut and many of them with enough years are talking about taking retirement at twenty years. They were reminded that if benefit costs are compared between state and private sectors, even though private pays more their benefits cost more. Mr. Chapman said with so much uncertainty with the economy the state will be affected and there are limited options for the state.

Ms. Griffin asked if the number of employees and retirees has increased in recent year. Ms. Lakeman stated it increases a little each year even though employees have left and haven't been replaced there are more dependents on our plan. There is still a higher total membership than last year at this time. Ms. Griffin also wanted to know if retirees continue to pay the employee share. The answer is yes, until age 65 when they go to Medicare and a Medicare Supplement Plan.

Ms. Lakeman informed that at tomorrow's March 19th SEBC meeting they will show how they could change the plan. If they didn't rebid and just wanted to make changes this year in terms of copays, coinsurance and deductible, what you would have to do to get to the $37.5M or a portion of it. It has been about five years since copays have changed.

Mr. Chapman asked why SEBC was waiting on a vote. Ms. Lakeman thinks because the DEFAC numbers just came out Monday, there is additional time needed to talk to the Joint Finance Committee members and see if they feel there may be a possibility of additional money being allocated to employee healthcare. Ms. Griffin stated the money was about $75M from escheat (unclaimed property). Tom Chapman inquired if his statement was read at the March 8th SEBC meeting. The SEBAC comment was read about Minnesota Life, but not the comment about the Reserve as no vote was being taken on that subject.

3. SEBAC Comment to SEBC

On FY11:

SEBAC, with great concern and reluctance, supports the proposed method of balancing next year's shortfall. This would include the use of Medicare Part D funds, the proposal from the Governor's budget, projected savings from policy changes, and the one time use of Reserve Funds.

Several OMB personnel met with AFSCME, COAD and a DSEA representative to talk about proposed changes for new employees. They were asked if they had suggestions or ideas about if they put in a new tier. So far no feedback has been received. The Governor said he'd like to change things for new employees at some point. They need to know what the unions think, if it is palatable with different rate and plan structures. Discussion followed. Mr. Leiter stated this has been done in other unions and eventually it becomes watered down and in five years all employees had the same plan.

Ms. Lakeman explained the Minnesota Life Group Universal Life insurance changes on the renewal contract which SEBC approved March 8th. Questions were answered about Long Term Disability. She also gave a reminder that SEBC is tomorrow, March 19th.

4. Other Business

Mr. Chapman advised other SEBAC members of a complaint received from a state employee concerning double state share and spousal coordination policies. He feels they will be seeing more of these types of complaints. It is getting harder for people to get benefits and that's what's driving it. The double state share question needs to be directed to a legislator as it is about changing state policy. Ms. Lakeman stated the spousal coordination policy is a SEBC policy, not state code. People need to understand that if they change that percentage, that if your spouse's employer pays 50 percent or more of the premium you have to be on the employer's plan, or erode that percent to be 40 or 30 percent, then all spouses will be on our plan as primary with the state paying for their costs. That means that the projected $537M expenditures will be higher. We have to look at ways to keep our costs down as well. Ms. Griffin noted that many people don't know we are self insured. Mr. Leiter asked if new hires could receive an explanation about the state being self insured as most employees don't know this.

5. Public Comment

Angela Alexander decided to reserve her comment for SEBC tomorrow. Mr. Leiter and Steve Smith made comments throughout the meeting.

Mr. Chapman asked for a motion to adjourn. Ms. Carson made the motion and Ms. Griffin seconded the motion. Upon a unanimous verbal approval the meeting adjourned at 4:15 p.m.

Respectfully submitted,

Mary Thuresson
Administrative Specialist II
Statewide Benefits Unit, OMB